



Department of Defense Utilities Privatization Program Status

Industry Forum September 29, 2004

**Captain Rick Marrs
Office of the Deputy Under Secretary of Defense
(Installations and Environment)**



Imperatives for Privatizing Utilities

- **Utility ownership is not a core DoD function**
- **Missions must be properly supported**
- **Historically, DoD utilities are under funded**
- **DoD needs industry's best practices, innovations, financing and economies of scale**
- **Privatization is the preferred tool for providing utility service at industry standards!**

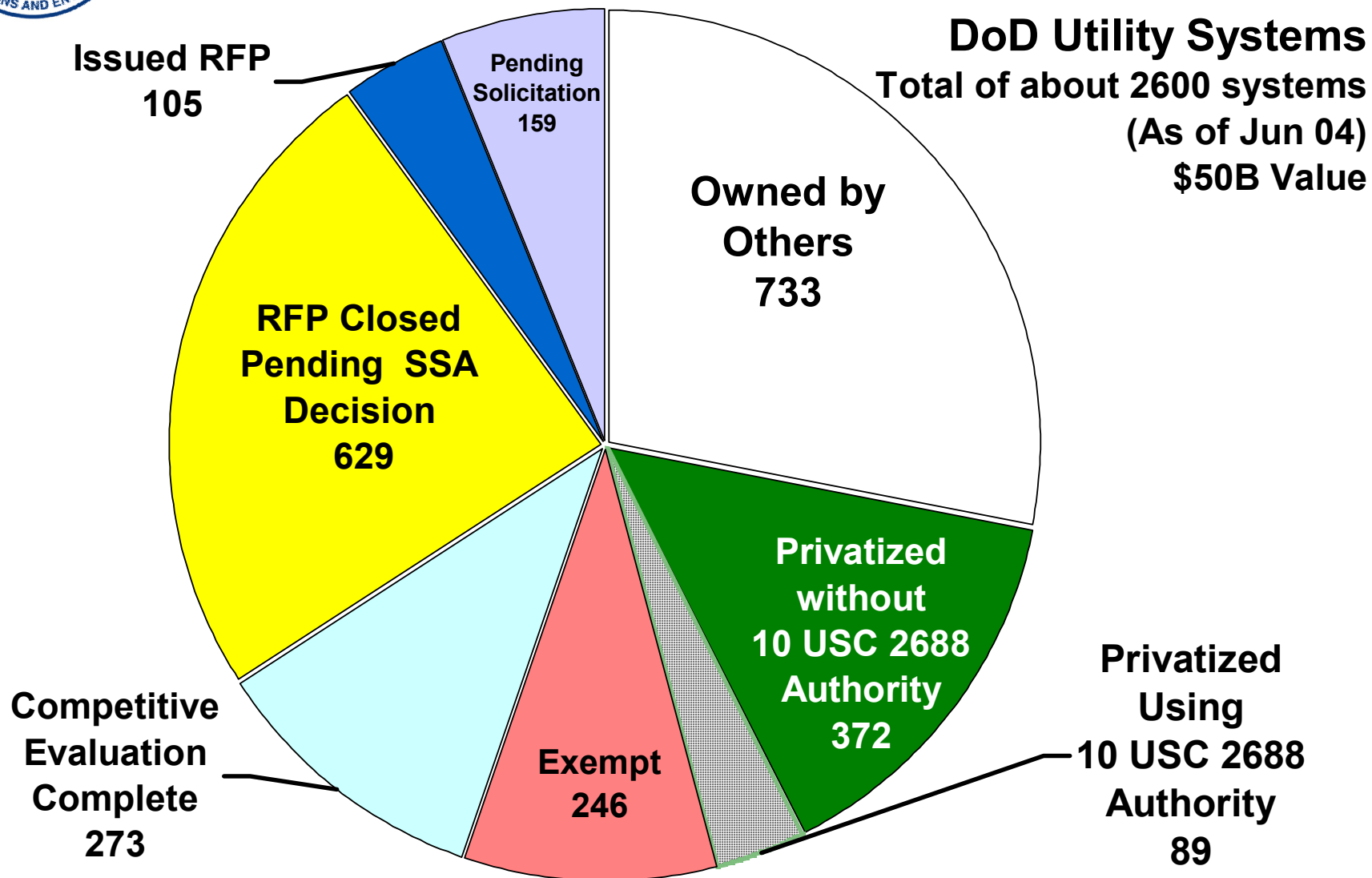


Defense Secretary Guidance

- **Privatize all utility systems, unless**
 - Security concerns preclude privatization
 - Cannot achieve economic benefit
 - o Understand lack of response
 - o Understand barriers to economic deals
- **Promote competition**
- **Apply consistent economic analysis**
 - Support sound decisions
- **Complete decisions by SEP 2005**
- **Planning guidance addresses sustainment and recapitalization of all DoD facilities**

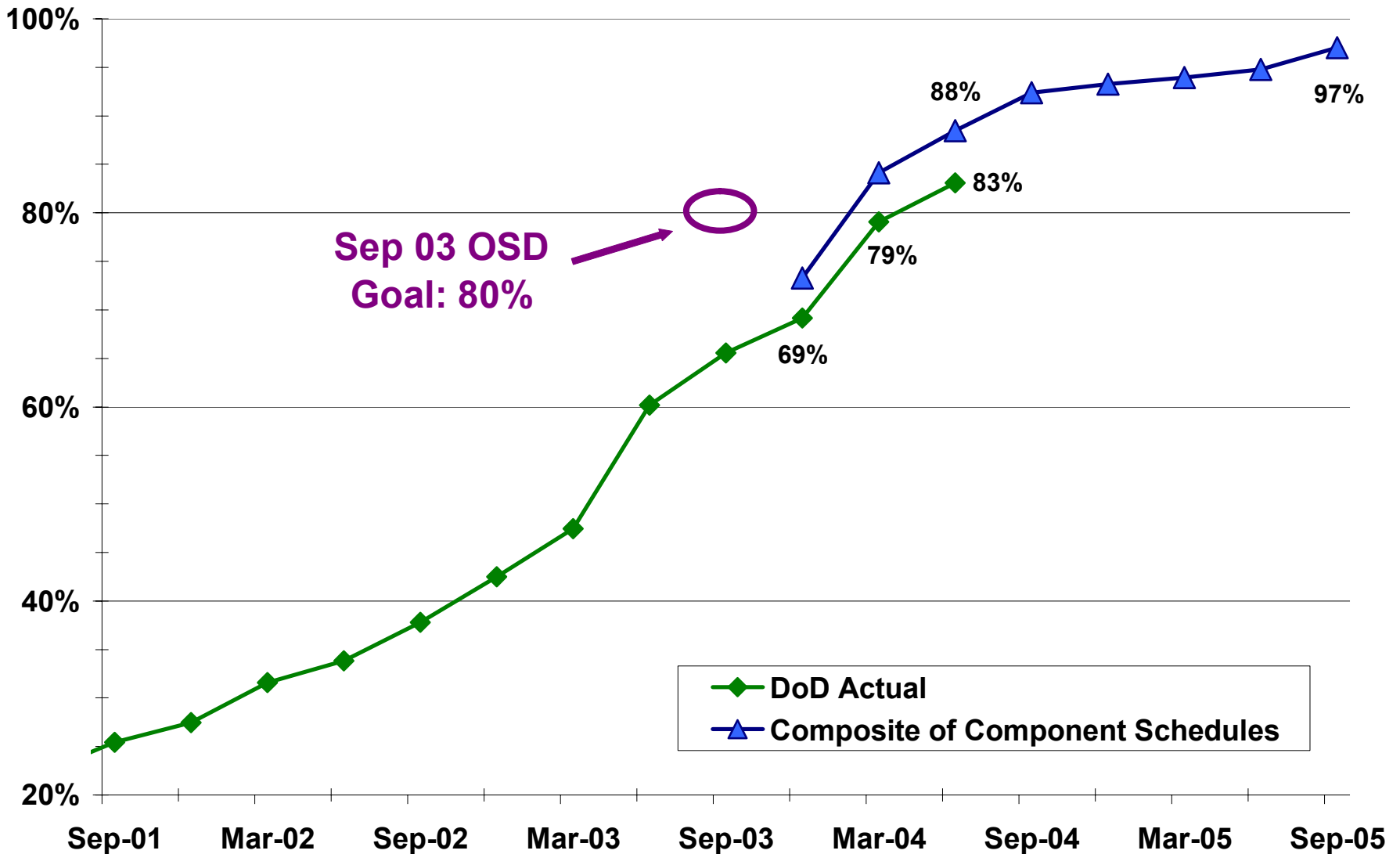


DoD Utilities Privatization Status



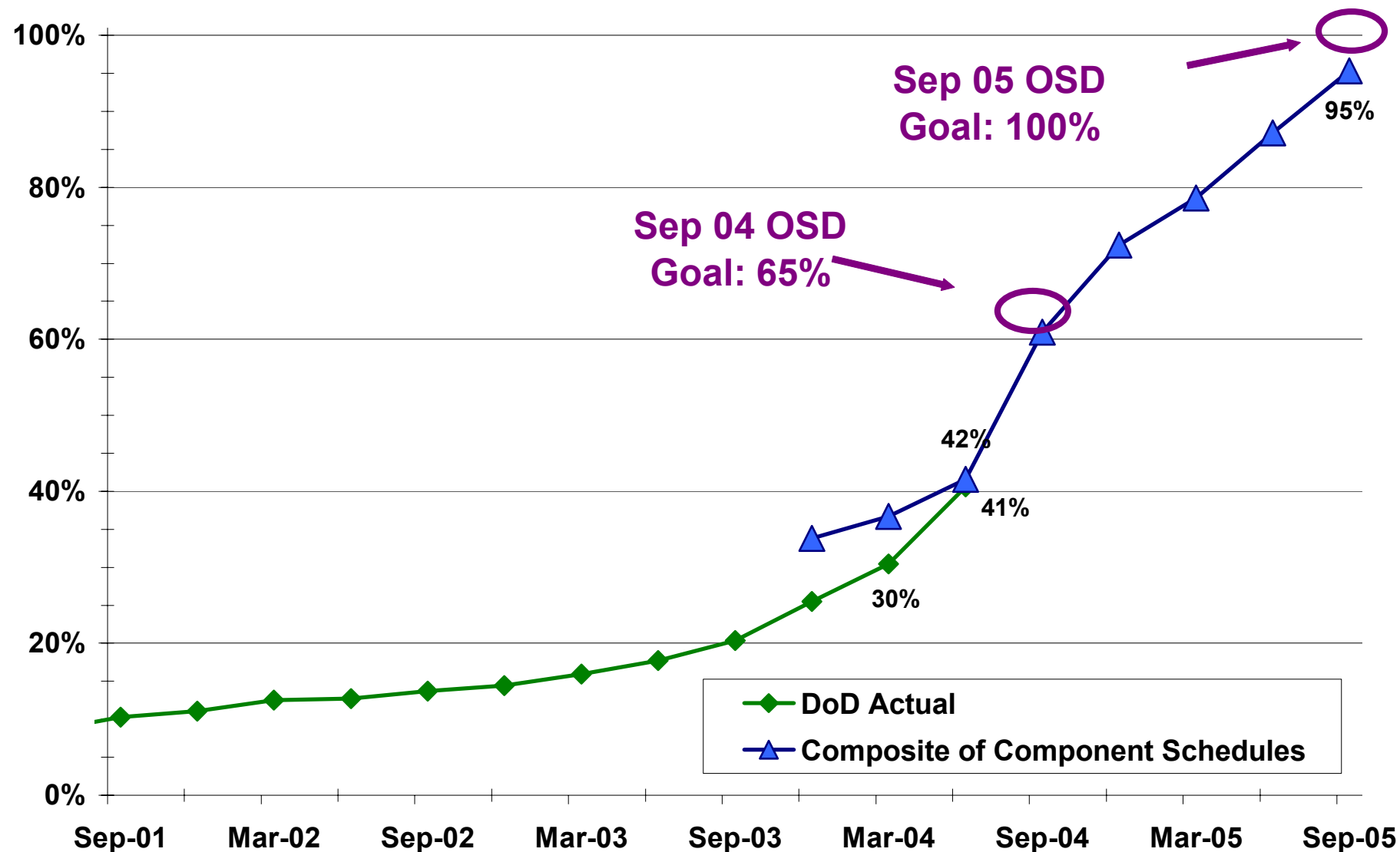


DoD System RFPs Closed or Exempt





Systems Through Competitive Process





Privatization Basics

- **Economic deals will be successful**
- **Baseline Assessment**
 - System inventory and condition
 - Clarify the “Industry Standard” and upgrades
- **Risk Management**
 - Performance risk
 - Future income stream
- **Ensure quality service and fair price**
- **Three key documents for privatization**
 - Service Contract, Right of Way and Transfer of Title
- **Effective communications required for partnership**





Key Financing Considerations

- **Long term government contract**
 - Reliable accounts receivable stream
- **Very favorable rates available**
- **100 percent financing possible**
- **Available to meet capital investment needs**
- **Government poised to take advantage of private sector**





Industry Opportunities

- **Business growth opportunity**
 - Rate base expansion
 - Increased economies of scale
- **Gain long term customer/partner**
 - Reasonable profit generated
 - Bills paid in a timely manner
 - Finance terms should be favorable



Contracting Offices

- **Army**
 - Defense Energy Support Center (DESC)
 - Army Contract Agency (ACA) offices
 - Corps of Engineers, Huntsville & other regions
- **Navy and Marine Corps**
 - Naval Facilities Engineering Command (NAVFAC)
 - o East Coast, West Coast & other regions
 - DESC
- **Air Force Civil Engineer Support Agency**
 - DESC
 - 21 Contracting Squadron, GSA
- **Defense Logistics Agency (DLA)**
 - DESC
 - Local contracting officers



Points of Contact

- **Office of Deputy Under Secretary of Defense (Installations and Environment)**
 - <http://www.acq.osd.mil/ie/irm/utilities/utilities.htm>
 - CAPT Rick Marrs, CEC, USN (703) 697-6193
- **Army Assistant Chief of Staff (Installation Management)**
 - <http://www.pts.army.mil/>
 - Bob Sperberg (703) 601-0367
- **Department of the Navy**
 - <http://energy.navy.mil/privatization/> General UP info and current RFP's
 - <http://www.esol.navfac.navy.mil/> Solicitations
 - Commander Navy Installations- LCDR Roland de Guzman (703) 601-1632
 - Marine Corps- David Heinrichs (703) 695-9781
 - Naval Facilities Engineering Command Bill Tayler (202) 685-9254
- **Air Force Office of the Civil Engineer (Readiness & Installation Support)**
 - <http://www.afcesa.af.mil/Directorate/CEO/Contracts/UtilPrivatization/default.htm>
 - LtCol Jeff Knippel (703) 604-4220
- **Defense Energy Support Center (DESC) Utility Privatization Branch**
 - <http://www.desc.dla.mil/>
 - Jim Cotton (703) 767-8135
- **Federal Business Opportunities**
<http://www.fedbizopps.gov/>



Summary

- **Each Service Secretary is committed**
- **Seeking wide participation from industry**
- **Aggressively executing schedule, SEP 2005**
- **Effective communication will ensure
win-win partnerships**

INSTALLATION REQUIREMENTS AND MANAGEMENT

"Combat Power Begins at Home"

Office of the Deputy Under Secretary of Defense (Installations & Environment)

HOME

August 2, 2004

[AT&L Home Page](#)

[I&E Home Page](#)

[Seach](#)

[Help](#)

[Contact Us](#)

PRICING GUIDE

INSTALLATION
INFORMATION

INSTALLATION
STANDARDS

REPORTS AND
TESTIMONY

INSTALLATION
MANAGEMENT

REAL ESTATE

SUSTAINMENT

IRM PROGRAM
ANALYSIS

Utilities Privatization

Utilities privatization is a method by which military installations can obtain safe, technologically current, and environmentally sound utility systems, at a relatively lower cost than they would under continued government ownership. In the privatization process, military installations shift from the role of owner-operators to that of smart utility service customers.

General Informations

[Program Brief](#) - (Microsoft Power Point Presentation)

[Terminology](#)

Economic Analysis Tool

NEW -- UPEAST 6.2 -- NEW
(April 2004, includes updated OMB discount/inflation rates)

[ODUSD UPEAST Memo](#)

[History of UPEAST Changes](#)



Questions?

Captain Rick Marrs

(703)-697-6193

Richard.Marrs@osd.mil

www.acq.osd.mil/ie/irm/utilities/utilities.htm